HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ www.house.gov/budget_democrats

Budget Reconciliation: What It Is and How It Works

A Report by the House Budget Committee
Democratic Staff

May 18, 2005

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Overview

The FY 2006 budget resolution conference report (H. Con. Res. 95) includes instructions for three bills to be considered under the fast-track process known as reconciliation – one bill each addressing spending cuts, enacting tax cuts, and raising the debt limit. Like the budget resolution itself, reconciliation bills in the Senate cannot be filibustered and therefore can clear the Senate by simple majority vote.

For the spending bill, eight House and eight Senate authorizing committees are directed to recommend by September 16 legislative changes to achieve specified savings targets that total $34.7 billion over five years for all committees (see table below). These savings are to be achieved either by cutting programs or shifting costs (through increased fees or offsetting receipts) to others. In each chamber, the Budget Committee will package these recommendations into an omnibus bill for floor consideration.

Budget Resolution Reconciled Spending Cuts, 2006-2010
(Billions of dollars)

House Committees		Senate Committees	
Agriculture	-3.000	Agriculture, Nutrition, and Forestry	-3.000
Education and the Workforce	-12.651*	Banking, Housing and Urban Affairs	-0.470
Energy and Commerce	-14.734	Commerce, Science, and Transportation	-4.810
Financial Services	-0.470	Energy and Natural Resources	-2.400
Judiciary	-0.300	Environment and Public Works	-0.027
Resources	-2.400	Finance	-10.000
Transportation & Infrastructure	-0.103	Health, Education, Labor, and Pensions	-13.651*
Ways and Means	-1.000	Judiciary	-0.300
Total, 2006-2010	***-$34.658***	***Total, 2006-2010***	***-$34.658***

The resolution requires House and Senate committees to report reconciliation bills cutting spending by September 16, 2005.

*The resolution specifies that this cut is for the period 2005-2010.

The remaining two reconciliation bills involve only the House Ways and Means Committee and the Senate Finance Committee. By September 23, these two committees are instructed to report to their respective chambers a bill cutting taxes by $70 billion over the next five years. By September 30, these two committees are instructed to report a bill increasing the statutory debt limit by $781 billion.

It has been eight years since authorizing committees other than House Ways and Means and Senate Finance have been involved in the reconciliation process. This document therefore begins with a brief review of some of the history of reconciliation, followed by a step-by-step outline of how this year's process may unfold. Finally, for each of the three reconciliation bills, the document discusses the instructions given to each committee and policy changes that might be used to meet those instructions.

Reconciliation Procedure

History

Reconciliation as Part of the Annual Budget Process **—** The annual budget resolution is a concurrent resolution adopted in the House and Senate (but not signed by the President) that sets congressional budgetary policy covering at least five years. Required elements for the budget resolution include total budget authority and outlays, total revenues, the surplus or deficit, and the public debt. The budget resolution may also include reconciliation instructions, which direct either one or several committees to enact laws adjusting spending and/or revenues to comply with the budget resolution. Legislation incorporating these adjustments can be sent to the floor of the House and Senate under expedited procedures that limit debate and amendments.

Enactment of Reconciliation Legislation — Reconciliation measures, unlike the concurrent resolution on the budget, are subject to Presidential veto. The first reconciliation bill was enacted in 1980 for fiscal year 1981. As of fiscal year 2005, 16 reconciliation bills have been enacted and three have been vetoed.

Reconciliation as a Deficit Reduction Tool — During the 1980s and much of the 1990s, reconciliation procedures were utilized for deficit reduction through legislation reducing mandatory spending and/or increasing revenues.[1] In this decade, however, Republicans have used reconciliation to increase the deficit through tax cuts, passing the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. Furthermore, the use of the reconciliation process to cut taxes has led to budgetary practices that mask the long-term effects of tax-cutting legislation. For instance, in order to comply with the Byrd rule (described on pages 4 and 5), these tax measures were sunset so as not to go beyond the budget window. However, this budgetary practice was contrary to Republican policies which sought to make these tax cuts permanent.

What's New in Reconciliation for 2006? — This year, for the first time, reconciliation requires spending reductions and tax cuts that in total make the deficit worse, not better. (As mentioned

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[1] See Congressional Research Service Report RS22098, *Deficit Impact of Reconciliation Legislation Enacted in 1990, 1993, and 1997.*

above, reconciliation has recently been used to cut taxes and thereby make the deficit worse. But 2006 is the first plan that combines entitlement cuts with even larger tax cuts.)

How Does Reconciliation Work?

For the spending bills, authorizing committees submit their recommendations for spending reductions to the Budget Committee, where the proposals are packaged and reported to the floor.[2] The Budget Committee is prohibited from making substantive changes to the recommendations, even if the committees fail to meet the targets specified in the reconciliation directive.

The manner in which authorizing committees draft their recommended savings is subject to the rules of each committee and the rules of the House. For example, the House rule on germaneness is enforceable in committee. Committees may not adopt rules allowing consideration only of amendments that are deficit-neutral, even pursuant to a unanimous consent request. Committees may choose to increase funding in their areas of jurisdiction as well as reduce funding, as long as the total change reduces direct spending by the targeted amount.

For a committee-by-committee breakdown of reconciliation spending cuts and likely programmatic targets in the 2006 budget resolution, see *Reconciled Spending Cuts by Committee* on page 6.

What If Committees Do Not Comply With Their Reconciliation Instructions?

Although the Budget Committee cannot make revisions to committees' recommendations before sending them to the floor, any House Member, most notably the Chairman of the Budget Committee, may ask the Rules Committee to allow amendments to the reconciliation package on the House floor. The Rules Committee then has the power to decide which amendments, if any, to make in order. In the past, the Rules Committee has not only made the Budget Committee Chairman's amendments in order, but has at times also incorporated the amendments into the measure for floor consideration through a self-executing rule.

While no sanctions, penalties, or points of order exist for not achieving reconciled savings, historically, authorizing committees usually make the required cuts. By doing so, they make it less likely that the Rules Committee will make in order an amendment making the required cuts and thus infringing upon their jurisdiction.

Any Member can request that the Rules Committee make his or her amendment to the

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[2] If a reconciliation instruction in the budget resolution directs only one committee in a chamber to make changes (e.g., the Ways and Means Committee for revenues), that committee reports its measure directly to the floor without going through the Budget Committee.

reconciliation package in order, regardless of whether the measure achieves the savings required by reconciliation instructions. But under the Budget Act, amendments that worsen the deficit relative to the underlying bill are not in order on the House floor, unless the rule for the bill waives the point of order.[3] All amendments must also be germane to the underlying bill unless the rule waives the germaneness point of order.

What Happens in the Senate?

Basic reconciliation procedures in the Senate are similar to those in the House, requiring each authorizing committee with reconciled cuts to report its recommended changes to the Budget Committee, and the Budget Committee to package the recommendations together for floor consideration.

Debate on a reconciliation bill is limited by the Budget Act; a reconciliation bill cannot be filibustered. This means a bill with reconciliation protection needs only a simple majority to clear the Senate. By contrast all other legislation before the Senate is subject to filibuster and requires a 60-vote super-majority to limit debate and invoke cloture. In addition, floor amendments must be germane, which is normally not the case in the Senate.

With a couple of exceptions, amendments to the reconciliation bill on the Senate floor cannot increase the deficit; they must either improve the deficit or be deficit-neutral. One noteworthy exception is that amendments striking entire provisions are always in order, even if the provision being removed saves money. Additionally, unlike in the House, if the Senate bill exceeds reconciliation targets in the budget resolution, amendments that reduce savings are in order, until the levels recommended in reconciliation are reached.[4] To be in order, amendments must have a budgetary effect (see discussion of the Byrd rule below). That is, an amendment can increase spending in one germane area and decrease spending by a corresponding amount in another, but it must have some impact on spending (or revenues, depending on the underlying bill).

If the reconciliation bill fails to meet the committee targets specified in the budget resolution, there is a procedure that allows non-germane amendments to bring the reconciliation bill into compliance with reconciliation directives.

The Byrd Rule

Named for Senator Robert Byrd, the Byrd rule places limits on what kinds of legislative measures can be included in reconciliation. Because reconciliation enjoys special privileges (being

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[3] Even if the underlying bill achieves savings that exceed the reconciled amounts in the budget resolution, amendments that worsen the deficit are not permitted in the House.

[4] That is, if the reconciliation instructions require savings of $34.7 billion, but the Senate bill saves $35.0 billion, amendments spending up to $300 million would be in order.

immune from filibuster and therefore requiring only a simple majority vote), the Byrd rule prevents its misuse as a vehicle to move a legislative agenda unrelated to spending or taxes and protects to some extent its intended purpose as a tool to reduce the deficit.

The Byrd rule (Section 313 of the Congressional Budget Act) prohibits the inclusion of "extraneous" measures in reconciliation. A point of order may be raised by any Senator opposed to an extraneous provision in the reported bill, amendments, or the conference report. Provisions struck through a Byrd rule point of order cannot be offered later as amendments. A Byrd rule point of order can be waived by the vote of 60 Senators.

The Byrd rule defines the following items as extraneous:

- measures with no budgetary effect (i.e., no change in outlays or revenues);
- measures that increase outlays or decrease revenues when the committee has not complied with reconciliation levels;
- measures outside the jurisdiction of the committee that submitted the title or provision;
- measures that produce a budgetary effect that is merely incidental;
- measures that increase deficits or reduce surpluses outside the reconciliation window (after fiscal year 2010, for this budget resolution); and
- measures that affect Social Security.

The Congressional Budget Office (CBO) does not attribute budgetary effects to budget process changes, such as discretionary limits, entitlement caps, and the pay-as-you-go rule. Therefore, such provisions cannot be included in reconciliation under the Byrd rule.

The Conference Report

The reconciliation conference report is not bound by the reconciliation instructions in the budget resolution; it can fall short of the target or exceed it. Technically, the original House and Senate bills are not bound by the targets, either, but the threat that in the House and Senate the Budget Committees could propose amendments bringing the bills to their targets has historically given authorizing committees a powerful incentive to meet the targets themselves. That threat does not apply to conference agreements, however.

While a conference report is not open for amendment on the House or Senate floor, it is still subject to Byrd rule requirements in the Senate. This means that even though the Byrd rule does not apply in the House, the Byrd rule is a powerful constraint on the House and a valuable resource because of its impact on the conference report. If a provision in the conference report violates the Byrd rule, the provision can be struck unless 60 senators vote to waive the point of order. If a provision in the conference report is stripped because of a Byrd rule point of order, the conference report is not automatically defeated, but rather sent to the House for consideration without the offending provision.

Reconciled Spending Cuts by Committee

Budget Resolution Reconciled Spending Cuts, 2006-2010
(Billions of dollars)

House Committees		*Senate Committees*	
Agriculture	-3.000	Agriculture, Nutrition, and Forestry	-3.000
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Judiciary	-0.300	Environment and Public Works	-0.027
Resources	-2.400	Finance	-10.000
Transportation & Infrastructure	-0.103	Health, Education, Labor, and Pensions	-13.651*
Ways and Means	-1.000	Judiciary	-0.300
Total, 2006-2010	***-$34.658***	***Total, 2006-2010***	***-$34.658***

The resolution requires House and Senate committees to report reconciliation bills cutting spending by September 16, 2005.

*The resolution specifies that this cut is for the period 2005-2010.

House Agriculture Committee

The budget resolution requires the Agriculture Committee to cut spending on programs in its jurisdiction by $3.0 billion over five years. The major mandatory spending programs under the Committee's jurisdiction are farm subsidies, crop insurance, conservation programs, and food stamps. The budget resolution does not specify whether it assumes these cuts would fall primarily on agriculture programs or on nutrition programs. The President's budget calls for cuts in agriculture spending totaling $7.7 billion over five years, and it proposes to cut food stamp spending by $566 million over five years by making it more difficult for certain low-income families to qualify for food stamps.

Senate committee with overlapping jurisdiction for these programs: Agriculture, Nutrition, and Forestry.

House Education and the Workforce Committee

The Republican budget resolution requires the Committee on Education and the Workforce to cut $12.7 billion in mandatory spending over six years (2005-2010).[5] To meet its reconciliation target, the Committee may cut spending for any program in its jurisdiction, which consists of the following:

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[5] Unlike the instructions to other committees, this instruction includes 2005, presumably because CBO estimates savings in 2005 as a result of some cuts to student loan programs.

- ***Student Loan Programs* —** As part of reconciliation, the Committee may cut spending on the Direct Loan and the Federal Family Education Loan programs, both of which the Committee plans to consider this year as part of its reauthorization of the Higher Education Act. The President's 2006 budget proposed a mixture of cuts and increases to student loan programs, resulting in a net cut of $6.7 billion from 2005-2010. The cuts in the President's budget included changes that will cost both students and lenders more (such as increased student fees and reduced lender subsidies), and the elimination of the Perkins Loan program.

- ***Pension Benefit Guaranty Corporation (PBGC)* —** The Committee could find budgetary savings by increasing employer premiums paid to the PBGC. The President's budget included a proposal to save $18.1 billion from 2006-2010 by requiring single-employer pension plans to pay higher premiums. (The Committee shares jurisdiction for this program with the Ways and Means Committee.)

- ***Child Nutrition Programs* —** Programs such as free and reduced-price school lunches are not up for reauthorization this year, but at a projected cost of $12.5 billion in 2006, the programs comprise 52 percent of the Committee's portfolio.

- ***Vocational Rehabilitation State Grants* —** The state grant program comprises 11 percent of the Committee's portfolio. The President proposed no changes to this program.

- ***Federal Employees Compensation Act (FECA)* —** The President's budget included a $51 million cut to FECA, which numerically appears to be part of the Committee's intended $12.651 billion cut.

- ***Other* —** The Committee also has jurisdiction over the Black Lung disability trust fund, a few small education fellowships and training demonstrations, abstinence education, and some management funds.

Although the reconciliation instructions cannot specify how committees will meet their targets, Republicans at the budget conference reportedly envisioned that the Committee will cut $7 billion from student loans, $51 million from FECA, and $5.6 billion from PBGC (with an additional $1 billion in PBGC savings from the Ways and Means Committee).

Senate committees with overlapping jurisdiction for these programs:
Health, Education, Labor, and Pensions (for student loans, vocational rehabilitation, FECA, and PBGC); Agriculture, Nutrition, and Forestry (for child nutrition).

House Energy and Commerce Committee

The budget resolution requires the Energy and Commerce Committee to cut spending on programs within its jurisdiction by $14.7 billion over five years. The Committee may cut spending from any program within its jurisdiction; thus, savings may come from Medicaid, spectrum, Medicare, the State Children's Health Insurance Program, the Power Marketing Administrations, or other programs. Reportedly, Republicans intend to cut Medicaid spending by $10 billion, with the remainder of the savings likely coming from changes to spectrum policy.

- ***Spending Cuts for Medicaid* —** While the press reports that Republicans plan to cut Medicaid by $10 billion, and the reconciled cuts in the Senate match this scenario, the Committee could meet its reconciliation target in any manner it chooses. For instance, a Medicaid cut could be as high as the entire Energy and Commerce instruction of $14.7 billion. This cut exceeds the Medicaid cut in the President's budget, which incorporated a package of spending and savings for a net cut of $7.6 billion over five years for health programs within the Energy and Commerce Committee's jurisdiction.

- ***Spectrum Auctions and Fees* —** The Committee could realize savings in this area by increasing receipts from spectrum auctions and/or fees. The Administration's 2006 budget included three spectrum proposals that CBO estimates would save $4.4 billion over five years: extension of spectrum auction authority ($1.7 billion); creation of a lease fee for use of analog spectrum by broadcasters ($1.9 billion); and authorization of user fees on unauctioned spectrum ($800 million).

- ***Changes to Rates Charged by Power Marketing Administrations (PMAs)* —** While the budget does not appear to assume a change to the rates charged by Power Marketing Administrations (PMAs), this is another area where the Committee could find savings. The President's budget allows PMAs to charge market-based rates rather than cost-based rates. CBO estimates such a proposal would save $627 million over four years (2007-2010), while the Administration claims the proposal would save $3.2 billion over five years (2006-2010).

Senate committees with overlapping jurisdiction for these programs: Finance (for Medicaid and Medicare); Commerce, Science and Transportation (for spectrum); Energy and Natural Resources (for PMAs).

House Financial Services Committee

The budget resolution requires the Financial Services Committee to cut spending on programs in its jurisdiction by $470 million over five years. This committee oversees mandatory spending associated with a variety of programs related to the financial industry, including mortgage insurance, deposit insurance, terrorism insurance, and disaster assistance loans. The Committee has the discretion to find the required savings from any program under its jurisdiction.

One day after the House and Senate approved the budget resolution, the Financial Services Committee reported (not as a reconciliation bill) the Federal Deposit Insurance Reform Act of

2005 (H.R. 1185), which CBO estimates will reduce mandatory spending by $200 million over five years. The House approved the legislation on May 4.

In addition, the President's budget included a proposal to reduce spending by $270 million over five years by repealing certain authorities exercised by the Federal Housing Administration (FHA) with respect to problematic properties with mortgages insured by FHA. The repealed authorities include using rehabilitation grants or selling the properties at below-market prices for properties in mortgage default.

Senate committee with overlapping jurisdiction for these programs: Banking, Housing, and Urban Affairs.

House Judiciary Committee

The budget resolution requires the House and Senate Judiciary Committees to cut $300 million in spending from 2006 through 2010, which is half the $603 million cut assumed in the House-passed resolution. The $603 million cut in the House resolution matched the President's proposal to adopt user fees to cover the administrative costs of regulating explosives use and manufacturing under the Bureau of Alcohol, Tobacco, Firearms, and Explosives. The Committees could achieve the $300 million cut by adopting half the explosives user fees proposed in the President's budget, adopting a different fee within the Committees' jurisdiction (patent fees, for example), or reducing spending on the Committees' mandatory programs. These programs include bankruptcy judgeships, the Administrative Conference of the United States, the Radiation Exposure Compensation Act, the Foreign Claims Settlement Commission, private claims legislation, witness fees and expenses for the United States Marshal Service, public safety officer benefits, and independent counsels.

Senate committee with overlapping jurisdiction for these programs: Judiciary.

House Resources Committee

The Republican budget resolution requires the House Committee on Resources to cut spending by $2.4 billion over the 2006-2010 period. The reconciliation instructions cannot specify how savings should be achieved, and the Resources Committee may address any program under its jurisdiction to reach its target.

- ***Arctic National Wildlife Refuge* —** The Resources Committee is likely to assume revenues from opening the Arctic National Wildlife Refuge to oil and gas exploration, a proposal in the President's 2006 budget. CBO estimates that opening the Arctic to drilling will net $2.5 billion in revenues to the federal government over the 2006-2010 period, after distribution of the same amount to the State of Alaska. The Senate Budget Committee Chairman has noted that the reconciliation instructions make it possible to use the budget process to open the Arctic Refuge to drilling by protecting this initiative from a Senate filibuster. H.R. 6, the energy bill that passed the House on April 21, explicitly authorized drilling in the Arctic National Wildlife Refuge.

- ***Southern Nevada Public Land Management Act*** **—** While not as likely, the Resources Committee could amend the Southern Nevada Public Land Management Act (SNPLMA), which was also a proposal in the President's 2006 budget. SNPLMA, passed in 1998, permitted Nevada to sell public lands around Las Vegas. The law was designed to pay for local conservation and recreation efforts primarily in Clark County, but is also being used to fund restoration at Lake Tahoe and other projects outside southern Nevada. Current law stipulates that the State of Nevada is to distribute 5 percent of proceeds to schools; 10 percent for water and highway projects; and 85 percent for various conservation programs. The President's budget shrinks the 85 percent share for conservation efforts in Nevada to 15 percent and diverts the remaining 70 percent to the U.S. Treasury. This raises $2.6 billion for the federal government over five years (2006-2010).

Senate committee with overlapping jurisdiction for these programs: Energy and Natural Resources.

House Transportation and Infrastructure Committee

The Republican budget resolution requires the House Committee on Transportation and Infrastructure (T&I) to cut spending by $103 million over the 2006-2010 period. The reconciliation instructions cannot specify what spending cuts should be made to reach the $103 million target, and the T&I Committee may cut any program under its jurisdiction. Major programs falling under the jurisdiction of the T&I Committee include railroad retirement and unemployment compensation benefits, surface and air transportation, the Army Corps of Engineers, Coast Guard retirement pay, and the Saint Lawrence Seaway Development Corporation. However, the railroad employee benefits constitute approximately 80 percent of the spending within the T&I Committee's jurisdiction.

Senate committees with overlapping jurisdiction for these programs: Commerce, Science, and Transportation (for the Coast Guard, Saint Lawrence Seaway); Environment and Public Works (for the Army Corps of Engineers).

House Ways and Means Committee

The budget resolution requires the Ways and Means Committee to cut spending on programs in its jurisdiction by $1.0 billion over five years. This committee oversees numerous entitlement programs, including Medicare, the Earned Income Tax Credit and other tax credits, child care, child welfare, Temporary Assistance for Needy Families, Supplemental Security Income (SSI) for low-income elderly and persons with disabilities, Unemployment Insurance, and the Social

Services Block Grant (SSBG). The Committee also has jurisdiction over mandatory spending associated with trade law. The Committee oversees Social Security as well, but changes to Social Security are excluded by law from the reconciliation process.

The resolution does not specify what program or programs this $1.0 billion cut would affect. However, the resolution reportedly assumes $6.6 billion in savings from changes to the Pension Benefit Guaranty Corporation (PBGC), of which $1.0 billion is reconciled to Ways and Means and the remaining $5.6 billion is reconciled to the House Committee on Education and the Workforce. The Ways and Means Committee is not bound by this assumption and could achieve the $1.0 billion in savings by cutting any program under its jurisdiction.

The President's budget included several proposals for cutting spending on Ways and Means programs. The biggest such proposal saves $2.7 billion over five years by ending the payment of antidumping fines directly to U.S. producers harmed by the dumping. The President's budget also includes a proposal to save $1.1 billion over five years by recapturing unemployment compensation overpayments from workers' tax refunds. Other proposals in the President's budget reduce spending on SSI, child welfare programs, the Earned Income Tax Credit, and the Child Tax Credit.

Senate committees with overlapping jurisdiction for these programs: Finance (for Medicare, tax credits, welfare and related programs, child welfare, SSI, trade, Unemployment Insurance, and SSBG); Health, Education, Labor, and Pensions (for PBGC).

Possible Targets of Reconciled Spending Cuts

Possible Policy Target	***House Committee***	***Senate Committee***	***Billion $***
Farm or nutrition programs	Agriculture	Agriculture, Nutrition & Forestry	3.000
Student loans	Education & Workforce	HELP	7.000
FECA reforms	Education & Workforce	HELP	0.051
Pension Benefit Guaranty Corporation	Education & Workforce, Ways & Means	HELP	6.600
Medicaid	Energy & Commerce	Finance	10.000
Spectrum	Energy & Commerce	Commerce	4.734
FHA and other programs	Financial Services	Banking	0.470
Fee or program cut	Judiciary	Judiciary	0.300
Arctic National Wildlife Refuge	Resources	Energy & Natural Resources	2.400
St. Lawrence fees	Transportation	Commerce	0.076
Corps of Engineers fee	Transportation	Environment & Public Works	0.027
		Total	**34.658**

Reconciled Tax Cuts

In the 2006 budget resolution, Republicans agreed to a total of $17.8 billion in tax cuts for 2006 and $106 billion over 2006-2010. The Administration had requested tax cuts of $3 billion and $100 billion for those same periods.

The budget resolution includes reconciliation instructions to the House Ways and Means Committee and Senate Finance Committee to report legislation by September 23 cutting a majority of these taxes under the reconciliation process; the reconciliation instructions are for up to $11.0 billion in tax cuts in 2006 and $70.0 billion over five years. As discussed previously, reconciliation procedures will provide this package of tax cuts with certain procedural advantages, including limits on debate and protection from filibuster in the Senate. (In addition to those cuts protected by reconciliation, the budget resolution's total tax cut allows for an additional $7 billion in cuts in 2006 and $36 billion over the 2006-2010 period.)

The decision about which taxes are actually cut is made by the tax-writing committees. However, the reconciliation tax bill could accommodate some of the following items, at least in part:

- Extension of the reduced tax rate structures for dividends and capital gains, which expire at the end of 2008 under current law ($22.8 billion through 2010);

- Extension of small business expensing, currently set to expire at the end of 2007 ($10.3 billion through 2010);

- Extension of alternative minimum tax relief at least through 2006 ($31.0 billion);

- Permanent extension of the deduction for state and local sales taxes, now scheduled to expire at the end of this year ($8.6 billion over five years); and

- Extension of the research and experimentation tax credit, also scheduled to expire at the end of 2005 ($28.5 billion over five years).

As noted above, the Committees could provide some of these or other tax cuts in legislation that is not part of reconciliation. While both committees are limited to $70 billion in reconciled tax cuts under the budget resolution, each tax-writing committee will determine the nature of the cuts it recommends, which might not be the same in the House and the Senate.

Reconciled Increase in the Debt Limit

The current limit on the public debt, $8.2 trillion, will need to be increased to accommodate the spending and revenue levels in the budget resolution. Therefore, the budget resolution calls for a $781 billion increase in the statutory debt limit, which will accommodate anticipated deficits through at least 2006. That increase can occur in either of two ways.

First, according to House Rule XXVII (the "Hastert Rule"), adoption of the budget conference report by both the House and the Senate automatically spins off a separate House bill (without a separate vote) to increase the debt limit. This bill (H.J. Res. 47) raises the debt limit by $781 billion. In the Senate, approval of this bill would require a separate vote, and that vote would not be covered under the reconciliation process. As a result, it would not receive fast-track treatment and would be open to the attachment of unrelated amendments.

Second, the budget resolution includes instructions to the House Ways and Means and Senate Finance Committees to report a reconciliation bill by September 30 increasing the debt limit by $781 billion.

The two approaches have different process implications in the House and the Senate. The Hastert-rule approach is the easier path in the House, because the bill generated according to that rule already passed the House automatically, without a separate vote, when the House and the Senate approved the budget resolution conference report. However, this Hastert-rule bill does not enjoy reconciliation protection in the Senate. In the Senate, a reconciliation bill is the easier path because of the procedural protections mentioned above; but such a bill requires a separate vote in the House.

It is not clear which of these approaches Republicans will choose to increase the debt limit.